



The President's Daily Brief

July 17, 1974

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THE PRESIDENT'S DAILY BRIEF

July 17, 1974

PRINCIPAL DEVELOPMENTS

Ousted Cypriot President Makarios is expected to arrive in London this morning, presumably en route to UN headquarters in New York. On the island, the Greek-led National Guard is consolidating its take-over. Turkey is making political and military preparations for intervention in case conditions it considers intolerable should develop. (Page 1)

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Japanese Prime Minister Tanaka is trying to limit the damage of recent cabinet resignations. He has named his firmest ally, Masayoshi Ohira, to replace Takeo Fukuda as finance minister. (Page 3)

A recent upsurge in fighting in northern South Vietnam appears to be the start of a Communist campaign to seize territory during the good summer weather. The Communists may make some gains in remote areas; they probably will not mount a major effort against the populated lowlands or the city of Hue. (Page 4)

In North Vietnam, the harvests will probably fall below those of last year, when the North Vietnamese produced only about three fourths of their food grain requirements. They will have to keep depending on imports, which reached record levels in the first half of this year. (Page 5)

Saudi King Faysal has protested to Ambassador Akins over indications that Israel does not intend to withdraw from occupied Arab lands. (Page 6)

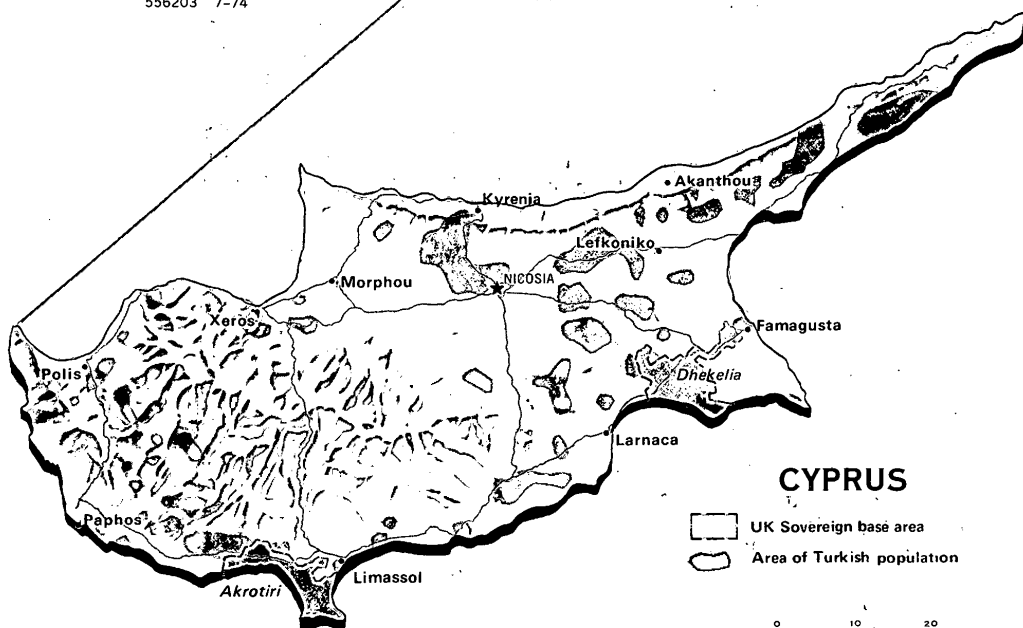
The new Portuguese prime minister has encountered unexpected difficulty in putting together a new cabinet satisfactory to both the military and the leftists. He plans to announce his choices today. (Page 7)

Notes on the USSR, Chile, and on a West European program for production of enriched uranium appear on Page 8.

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CYPRUS

Ousted President Makarios, who left Cyprus yesterday with British assistance, is expected to reach London this morning. He apparently is en route to UN headquarters in New York.

Greek-led Cypriot National Guard troops reportedly now control all areas of the island and have lifted the curfew.

The Greeks are scheduled to conduct today the regular semi-annual rotation of the 950-man contingent of regular Greek forces on Cyprus. Any effort to increase the size of the force or to upgrade its equipment would be regarded by Turkey as highly provocative.

Turkish intervention in Cyprus is already a possibility, and Ankara is making all the necessary political and military preparations. Ground forces are being moved into southern Turkey

Conditions under which Prime Minister Ecevit might order military action include:

- Direct attacks on Turkish Cypriots.
- A Cyprus declaration of union with Greece.
- A patently unacceptable government in Nicosia.

The Greek government continues to claim that developments on Cyprus are an internal matter and that Greece maintains its principle of "nonintervention in the affairs of other countries."

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Several members of the new cabinet announced by "President" Sampson have been open supporters of union with Greece.

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At a short and inconclusive session of the UN Security Council yesterday, the Cypriot representative demanded that troops from outside the island stop interfering in Cyprus' affairs. He was supported by the Soviet representative.

The NATO Council also discussed the possible involvement of Greece and Turkey in the Cyprus situation. Most members felt that the burden was on Athens to prove its claims that its policy has not changed.

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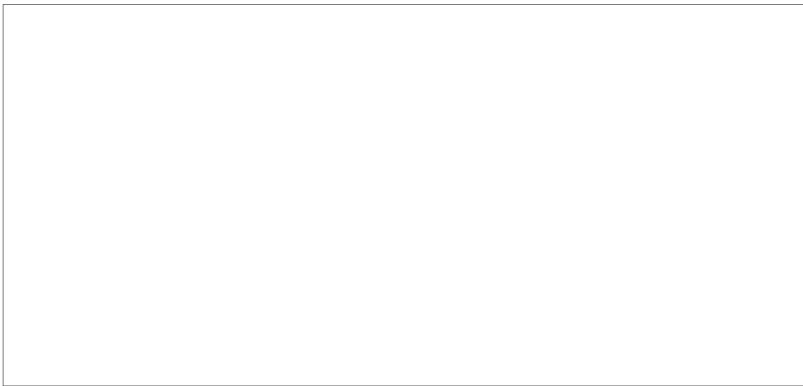
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USSR

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JAPAN

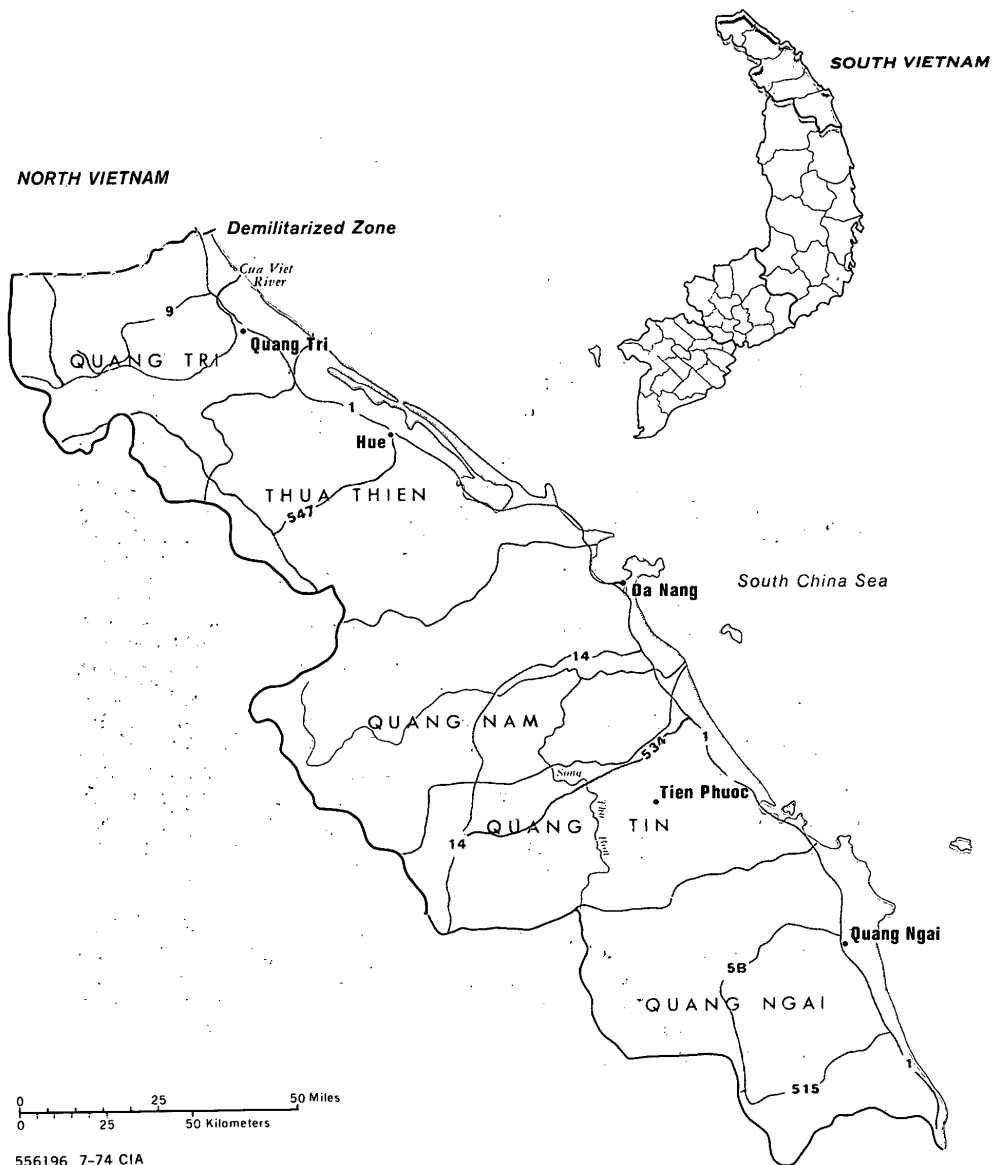
Prime Minister Tanaka is trying to limit the damage of recent cabinet resignations. He has named his firmest ally, Masayoshi Ohira, to replace Takeo Fukuda as finance minister.

Toshio Kimura, an experienced party stalwart, has been named foreign minister to succeed Ohira. Kimura recently worked closely with Ohira to improve Japanese relations with Peking, and there is little reason to expect any major changes in Japan's foreign policy. For the moment at least, Trade Minister Yasuhiro Nakasone is also sticking with Tanaka.

Economic policy decisions may be the next important test of Tanaka's hold on the leadership. Later this month, the government will have to decide whether the level of rice-support prices for Japan's politically influential rice farmers should exceed the current anti-inflation guidelines.

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Military Region 1



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SOUTH VIETNAM

A recent upsurge in fighting in northern South Vietnam appears to be the start of a Communist campaign to seize territory in Quang Tri and Thua Thien provinces during the good summer weather. Intercepted messages and troop deployments suggest that the fighting will be heaviest west and south of Hue.

The Communists began preparing in late spring for increased tactical activity. The North Vietnamese moved large quantities of war materiel to units in northern South Vietnam, adding to the already large stockpiles accumulated after the cease-fire. In early June the Communists activated a new military front headquarters for tactical control over all combat forces in the two northern provinces. The front commands three infantry divisions, but communications suggest that only two will see much action.

Government forces in the area are expecting increased Communist attacks and have been moving to counter them. The South Vietnamese have been able to push the Communists back in the southern part of the region, and government units defending the approaches to Hue are a match for Communist forces in the area. The Communists may make some territorial gains in remote areas; they probably will not mount a major effort against the populated lowlands or Hue itself.

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NORTH VIETNAM

The spring and the fall harvests will probably fall below those of last year, when North Vietnam produced only about three fourths of its food grain requirements. Harvesting of the spring rice crop is about a month behind schedule, and the crop will probably be some 10-20 percent below last year's moderately successful harvest of an estimated 1.2 million tons.

Hanoi is concerned with distributing food and rebuilding rice stocks that were drawn down further this spring when serious rice shortages were reported in some areas. The shortages prior to the harvest were more severe than usual because of the disappointing harvest last autumn.

The spring harvest will help ease the food situation, but Hanoi remains dependent on imports, which reached record levels in the first half of this year. Seaborne imports of 480,000 tons from January to June were nearly double the amount shipped during the same period in 1973. Peking's overland shipment schedules of some 175,000 tons were 10 percent higher than last year.

Continuing large-scale imports are slated for the summer months, when food imports normally fall to a seasonal low.

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Some reduction in output of the autumn crop is almost certain because of the delay in the spring harvest. Some autumn rice seedlings reportedly were ready for transplanting in June, but the fields were not ready. This further increases the possibility that weather will damage the autumn crop.

SAUDI ARABIA

King Faysal has protested to Ambassador Akins over what he asserts are indications that Israel does not intend to withdraw from occupied Arab lands. Faysal was reacting to exaggerated accounts of Israeli plans to build more strategic settlements in occupied territories and to alleged tough Israeli statements on peace terms.

The Saudi ruler seems to have been interested primarily in re-emphasizing his own strong views on the need for a substantial Israeli withdrawal from occupied Arab land and--most important--major concessions on the status of Jerusalem. He remains convinced that the US could impose terms on Israel if it wished but believes the US will take a less active part as the danger of renewed hostilities recedes.

Faysal also discussed oil prices with Ambassador Akins, complaining that Saudi Arabia was not getting enough support from consumer states in its campaign to bring prices down. He was particularly rankled by criticism from Iran, and he called upon the US to press Tehran hard for price reductions.

In a separate conversation, Saudi Oil Minister Yamani said he was having second thoughts about his efforts to force world prices down by boosting Saudi production. He said he thought other OPEC countries could offset Saudi production by decreasing their own output. He also professed concern that unilateral action by Saudi Arabia could cause strains in OPEC and further isolate the Saudis.

Neither Faysal nor Yamani linked oil policy to progress toward a Middle East settlement, although Yamani, in an earlier exposition of the King's views, reminded Ambassador Akins that there is such a link.

PORTUGAL

Prime Minister Vasco Goncalves has encountered unexpected difficulty in putting together a new cabinet. The trouble may stem from having both to make room for additional military appointees and to satisfy leftist demands for certain posts. He said last night that his choices would be announced today.

The outgoing socialist foreign minister, Mario Soares, told the US ambassador that the cabinet change was artificially brought on by the former prime minister, presumably acting on behalf of President Spínola or "reactionary forces." Soares claimed that no really serious issues had divided the former cabinet or impaired its ability to govern.

NOTES

USSR: The Soviets will probably bring down the cosmonauts aboard Soyuz 14 in the next few days. Two space support ships in the Atlantic will be making port calls beginning late this week, and Soyuz may descend before the ships leave their present stations. The spacecraft was launched on July 3 and docked with the Salyut 3 space station the next day. Salyut is expected to remain in orbit after Soyuz is brought down; the Soviets may send more cosmonauts to the space station in the coming weeks.

Chile: Consumer prices jumped more than 20 percent last month. This brings inflation for the first half of the year to more than 145 percent, the world's worst. Wage increases averaging more than 20 percent went into effect on July 1, but the real income of most Chileans continues to decline.

Enriched Uranium: The British, Dutch, and West German participants in Urenco--a program for producing enriched uranium--apparently have committed Urenco's enrichment capacity to domestic users through 1980. Urenco will not be able to supply nuclear power reactor fuel to other countries in competition with major international producers until at least 1981. It is negotiating ten-year supply contracts for its enrichment services, which involve the first commercial use of gas centrifuges, even though it is just starting construction of two enrichment plants--one in the UK and the other in the Netherlands.

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